

THE END OF COMPETITIVE ADVANTAGE

**HOW TO KEEP YOUR STRATEGY MOVING
AS FAST AS YOUR BUSINESS**

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TABLE 1-1

Where to compete: industry perspective versus arena perspective

	Industry	Arena
Goal	Positional advantage	Capturing territory
Measure of success	Market share	Share of potential opportunity spaces
Biggest threat	Intraindustry competitive moves	Interindustry moves; disruption of existing model
Definition of customer segment	Demographic or geographic	Behavioral
Key drivers	Comparative price, functionality, quality	“Jobs to be done” in total customer experience
Likely acquisition behavior	Within-industry consolidation or beyond-industry diversification	Bolt-on for new capability acquisition, often across industry boundaries
Metaphor	Chess	Japanese game of Go

FIGURE 1-1

How to compete: the wave of transient advantage

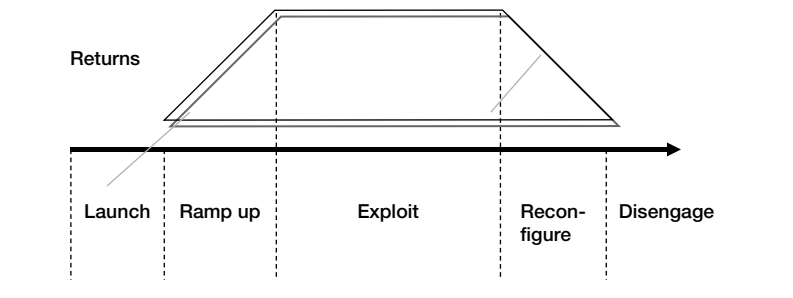


TABLE 1-2

How to win: the growth outliers

Outlier company	Original country	What it does
Cognizant Technology Solutions	United States	Founded in 1994 as Dun & Bradstreet's technology services arm and spun off two years later. Began with primarily application maintenance work. Originally a "tactical source of inexpensive talent," according to the company website.
HDFC Bank	India	Founded in 1994 with the dream of becoming a world-class private Indian bank.
FactSet	United States	Founded in 1978 to automate the creation of financial analysis reports for analysts and companies (not individual investors). Began with a short paper report on companies, circulated to a few key clients, called "Company Factset."
ACS	Spain	ACS is a Spanish construction and services provider formed from the merger and revitalization of formerly struggling, separate companies.
Krka	Slovenia	Founded in 1954, Krka is a Slovenian pharmaceutical manufacturer expanding from its base to neighboring regional markets.
Infosys	India	Founded by six engineers in India in 1981, Infosys began as an India-based information technology services provider with one client.
Tsingtao Brewery	China	The Tsingtao Brewery was founded in 1903 by German settlers in Qingdao, China.
Yahoo! Japan	Japan	US-based Yahoo! and Tokyo-based Softbank set up internet portal Yahoo! Japan in 1996 as a joint venture. It is an independent, publicly listed company.
Atmos Energy	United States	Atmos Energy is the largest gas-only utility in the United States. It has both a regulated arm, which distributes natural gas, and a nonregulated subsidiary, Atmos Energy Services.
Indra Sistemas	Spain	Indra Sistemas is a diversified global technology company that operates in a wide range of sectors, including transport and traffic, energy and industry, public administration and health care, financial services, security and defense, and telecommunications and media.

TABLE 1-3

The new strategy playbook

	From	To
Continuous reconfiguration (chapter 2)	Extreme downsizing or restructuring	Continuous morphing
	Emphasis on exploitation phase	Equal emphasis on entire wave
	Stability or dynamism alone	Stability combined with dynamism
	Narrowly defined jobs and roles	Fluidity in allocation of talent
	Stable vision, monolithic execution	Stable vision, variety in execution
Healthy disengagement (chapter 3)	Defending an advantage to the bitter end	Ending advantages frequently, formally, and systematically
	Exit viewed as strategically undesirable	Emphasis on retaining learning from exits
	Exits occur unexpectedly and with great drama	Exits occur in a steady rhythm
	Focus only on objective facts	Focus on subjective early warnings
Using resource allocation to promote deftness (chapter 4)	Resources held hostage in business units	Key resources under central control
	Squeezing opportunities into the existing structure	Organizing around opportunities
	Attempts to extend the useful life of assets for as long as possible	Aggressive and proactive retirement of competitively obsolete assets
	Terminal value	Asset debt
	Capital budgeting mind-set	Real options mind-set
	Investment-intensive strategic initiatives	Parsimony, parsimony, parsimony
	Ownership is key	Access is key
	Build it yourself	Leverage external resources
Building an innovation proficiency (chapter 5)	Innovation is episodic	Innovation is an ongoing, systematic process
	Governance and budgeting done the same way across the business	Governance and budgeting for innovation separate from business as usual

(continued)

The new strategy playbook *(continued)*

	Resources devoted primarily to exploitation	A balanced portfolio of initiatives that support the core, build new platforms, and invest in options
	People work on innovation in addition to their day jobs	Resources dedicated to innovation activities
	Failure to test assumptions; relatively little learning	Assumptions continually tested; learning informs major business decisions
	Failures avoided and not discussable	Intelligent failures encouraged
	Planning orientation	Experimental orientation
	Begin with our offerings and innovate to extend them to new areas	Begin with customers and innovate to help them get their jobs done
Leadership and mind-set (chapter 6)	Assumption that existing advantages will persist	Assumption that existing advantages will come under pressure
	Conversations that reinforce existing perspectives	Conversations that candidly question the status quo
	Relatively few and homogenous people involved in strategy process	Broader constituencies involved in strategy process, with diverse inputs
	Precise but slow	Fast and roughly right
	Prediction oriented	Discovery driven
	Net present value oriented	Options oriented
	Seeking confirmation	Seeking disconfirmation
	Talent directed to solving problems	Talent directed to identifying and seizing opportunities
	Extending a trajectory	Promoting continual shifts
Personal meaning of transient advantage (chapter 7)	Accepting a failing trajectory	Picking oneself up quickly
	Emphasis on analytical strategizing	Emphasis on rapid execution
	Organizational systems	Individual skills
	A stable career path	A series of gigs
	Hierarchies and teams	Individual superstars
	Infrequent job hunting	Permanent career campaigns
	Careers managed by the organization	Careers managed by the individual

TABLE 1-4

Our organization's current way of working

Focused on extending existing advantages	Scale	Capable of coping with transient advantages
Budget, people, and other resources are largely controlled by heads of established businesses.	1 2 3 4 5 6 7	Critical resources are controlled by a separate group from those who run businesses.
We tend to extend our established advantages if we possibly can.	1 2 3 4 5 6 7	We tend to move out of an established advantage early, with the goal of moving on to something new.
We don't have a systematic process for disengaging from a business.	1 2 3 4 5 6 7	We have a systematic way of exiting businesses.
Disengagements tend to be painful and difficult.	1 2 3 4 5 6 7	Disengagements are just part of the normal business cycle.
We try to avoid failures, even in uncertain situations.	1 2 3 4 5 6 7	We recognize that failures are unavoidable and try to learn from them.
We budget annually or for even longer.	1 2 3 4 5 6 7	We budget in quick cycles, either quarterly or on a rolling basis.
We like to stick to plans once they are formulated.	1 2 3 4 5 6 7	We are comfortable with changing our plans as new information comes in.
We emphasize optimization in our approach to asset utilization.	1 2 3 4 5 6 7	We emphasize flexibility in our approach to asset utilization.
Innovation is an on-again, off-again process.	1 2 3 4 5 6 7	Innovation is systematic, a core process for us.
It is difficult for us to pull resources from a successful business to fund more uncertain opportunities.	1 2 3 4 5 6 7	It is quite normal for us to pull resources from a successful business to fund more uncertain opportunities.
Our best talent spends most of their time solving problems and handling crises.	1 2 3 4 5 6 7	Our best talent spends most of their time working on new opportunities for our organization.
We try to keep our organizational structure relatively stable and to fit new ideas into the existing structure.	1 2 3 4 5 6 7	We reorganize when new opportunities require a different structure.
We tend to emphasize analysis over experimentation.	1 2 3 4 5 6 7	We tend to emphasize experimentation over analysis.
It isn't easy to be candid with our senior leaders when something goes wrong.	1 2 3 4 5 6 7	We find it very easy to be candid with senior leaders when something goes wrong.

TABLE 2-1

The new strategy playbook: reconfiguration

From	To
Extreme downsizing and restructuring	Continuous morphing and changing
Bulk of emphasis on arenas in exploitation phase	Equal emphasis on all phases of a competitive life cycle within an arena
Stability or dynamism alone	Stability combined with dynamism
Narrowly defined jobs and roles	Fluidity in allocation of talent
Stable vision, monolithic execution	Stable vision, variety in execution

FIGURE 2-1

Milliken's reconfiguration path

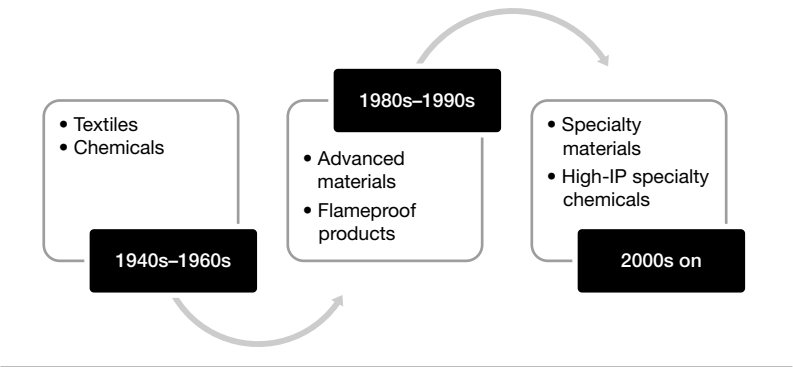


TABLE 2-2

The growth outliers

Growth outlier	Industry	Head-quarters country	Founding year	Market capitalization (USD MM), year ending 2009	Number of employees (2009)
Infosys	IT consulting and other services	India	1981	\$31,894	113,800
Yahoo! Japan	internet software and services	Japan	1996	\$20,334	4,882
HDFC Bank	Diversified banks	India	1994	\$16,554	51,888
ACS (Actividades Construcción y Servicios)	Construction and engineering	Spain	1983	\$15,525	142,176
Cognizant Technology Solutions	IT consulting and other services	United States	1994	\$13,312	78,400
Tsingtao Brewery	Brewers	China	1903	\$7,214	33,839
Indra Sistemas	IT consulting and other services	Spain	1921	\$3,666	26,175
Krka dd Novo Mesto	Pharmaceuticals	Slovenia	1954	\$3,186	7,975
FactSet	Application software	United States	1978	\$3,009	4,116
Atmos Energy Corporation	Gas utilities	United States	1906	\$2,614	4,913

TABLE 3-1

The new strategy playbook: disengagement

From	To
Defending an advantage to the bitter end	Ending advantages frequently, formally, and systematically
Exits viewed as strategically undesirable	Emphasis on retaining learning from exits
Exits occur unexpectedly and with great drama	Exits occur in a steady rhythm
Focus on objective facts	Focus on subjective early warnings

TABLE 3-2

Disengagement strategies

	Capability is core to the future of the business	Capability has value, but not for us	Capability is in decline
Relatively little time pressure	Orderly migration Transition aspects of the business from today's configuration to tomorrow's	Garage sale Get reasonable prices for assets we are no longer interested in	Run-off Be well paid to maintain support for customers while decreasing investment
Intense time pressure	Hail Mary Divest formerly core capabilities and find a solution to migrate to the new core fast	Fire sale Sell noncore assets we are no longer in a position to exploit	Last man standing Spark consolidation or otherwise try for a profitable end-game position

TABLE 4-1

The new strategy playbook: resources and organization

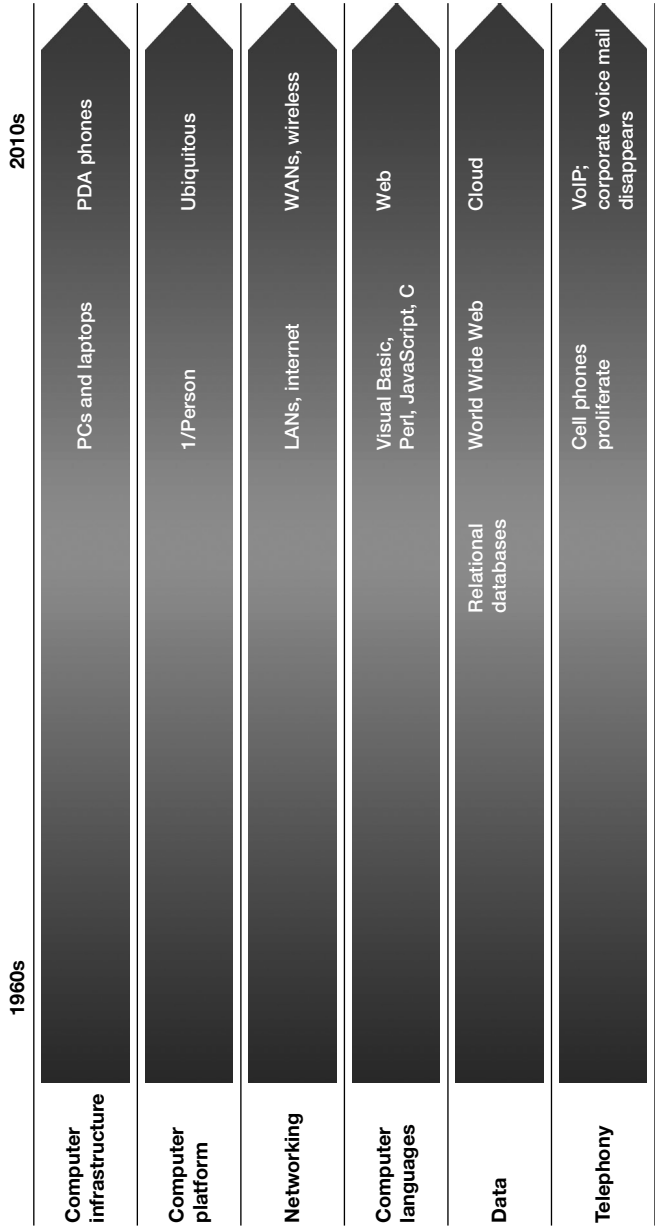
From	To
Resources held hostage in business units	Resources under a central governance mechanism
Squeezing opportunities into the existing structure	Organizing around opportunities
Attempts to extend the useful life of assets for as long as possible	Aggressive and proactive retirement of competitively obsolete assets
Terminal value	Asset debt
Capital budgeting mind-set	Real options mind-set—variable costs, flexible investments
Investment-intensive strategic initiatives	Parsimony, parsimony, parsimony
Ownership is key	Access is key
Build it yourself	Leverage external resources

Evolving technology regimes in information technology

Source: Copyright © 2010 Accenture.

FIGURE 4-2

Leaving the past behind



Source: Copyright © 2010 Accenture.

TABLE 4-2

Trends in temporary employment

Period of economic recovery	Share of temporary as opposed to permanently employed workers hired
1992–1993	11%
2003–2004	7%
2009–2010	26%

TABLE 5-1

The new strategy playbook: innovation proficiency

From	To
Innovation is episodic	Innovation is an ongoing, systematic process
Governance and budgeting done the same way across the business	Governance and budgeting for innovation separate from business as usual
Resources devoted primarily to exploitation	A balanced portfolio of initiatives that support the core, build new platforms, and invest in options
People work on innovation in addition to their day jobs	Resources dedicated to innovation activities
Failure to test assumptions; relatively little learning	Assumptions continually tested; learning informs major business decisions
Failures avoided and undiscussable	Intelligent failures encouraged
Planning orientation	Experimental orientation
Begin with our offerings and innovate to extend them to new areas	Begin with customers and innovate to help them get their jobs done

FIGURE 5-1

An opportunity portfolio

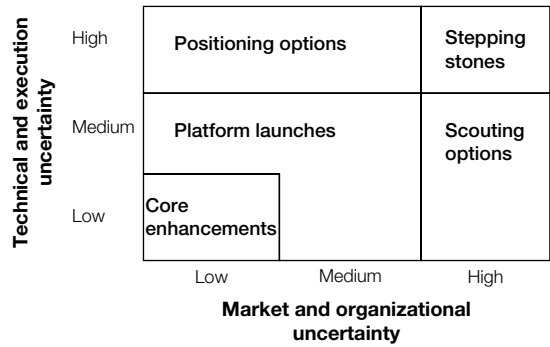


FIGURE 5-2

A low-growth portfolio

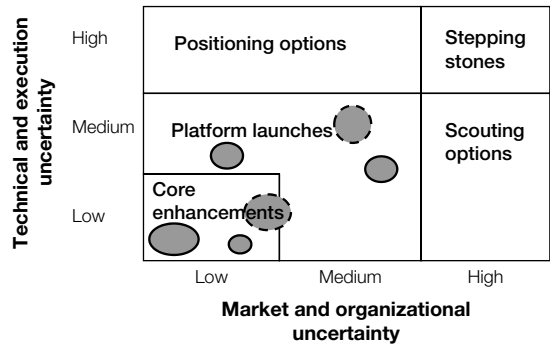


TABLE 6-1

The new strategy playbook: mind-set

From	To
Assumption that existing advantages will persist	Assumption that existing advantages will come under pressure
Conversations that reinforce existing perspectives	Conversations that candidly question the status quo
Relatively few and homogenous people involved in strategy process	Broader constituencies involved in strategy process, with diverse inputs
Precise but slow	Fast and roughly right
Prediction oriented	Discovery driven
NPV oriented	Options oriented
Seeking confirmation	Seeking disconfirmation
Internally focused on optimization	Aggressively focused on the external world
Talent directed to solving problems	Talent directed to identifying and seizing opportunities
Extending a trajectory	Promoting continual shifts
Accepting a failing trajectory	Picking oneself up fast

TABLE 7-1

The new strategy playbook: making it personal

From	To
Organizational systems	Individual skills
A stable career path	A series of gigs
Hierarchies and teams	Individual superstars
Infrequent job hunting	Permanent career campaigns
Careers managed by the organization	Careers managed by the individual

TABLE 7-2

How prepared are you for the transient-advantage economy?

Question	Answer
If my current employer let me go, it would be relatively easy to find a similar role in another organization for equivalent compensation.	Yes/No
If I lost my job today, I am well prepared and know immediately what I would do next.	Yes/No
I've worked in some meaningful capacity (employment, consulting, volunteering, partnering) with at least five different organizations within the last two years.	Yes/No
I've learned a meaningful new skill that I didn't have before in the last two years, whether it is work related or not.	Yes/No
I've attended a course or training program within the last two years, either in person or virtually.	Yes/No
I could name, off the top of my head, at least ten people who would be good leads for new opportunities.	Yes/No
I actively engage with at least two professional or personal networks.	Yes/No
I have enough resources (savings or other) that I could take the time to retrain, work for a small salary, or volunteer in order to get access to a new opportunity.	Yes/No
I can make income from a variety of activities, not just my salary.	Yes/No
I am able to relocate or travel to find new opportunities.	Yes/No